

## Actions that Affect Business Value

| Goals   | Value Drivers                        | Strategies   |
|---|--------------------------------------|--|
| <b><i>Increase recast EBITDA</i></b>                  | <b>Increase sales</b>                | <ul style="list-style-type: none"> <li>• Enter niche markets;</li> <li>• Patent new products to create barriers to entry;</li> <li>• Launch innovative products;</li> <li>• Consolidate competitors</li> </ul>   |
|   | <b>Lower cost of goods sold</b>      | <ul style="list-style-type: none"> <li>• Develop scale economies;</li> <li>• Acquire captive access to raw materials;</li> <li>• Increase efficiencies in processes (production, distribution, services) and labor utilization;</li> <li>• Implement cutting-edge cost control systems.</li> </ul> |
|   | <b>Control operating expenses</b>    | <ul style="list-style-type: none"> <li>• Budget and monitor expenses;</li> <li>• Identify fixed versus variable expenses;</li> <li>• Manage expenses at lowest level possible;</li> <li>• Keep track of recast items.</li> </ul>   |
| <b><i>Reduce Risk</i></b>                             | <b>Reduce business risk</b>          | <ul style="list-style-type: none"> <li>• Perform at a higher operating level compared to competitors;</li> <li>• Establish long-term contracts whenever possible;</li> <li>• Institute financial transparency, including the retention of audited financial statements.</li> </ul>                 |
|   | <b>Reduce cost of capital</b>        | <ul style="list-style-type: none"> <li>• Maximize use of debt to support equity, possible useless costly equity substitutes, such as mezzanini debt;</li> <li>• Reduce surprises (volatility of earnings);</li> <li>• Consistently test the market cost of debt.</li> </ul>                        |
|   | <b>Reduce customer concentration</b> | <ul style="list-style-type: none"> <li>• No single customer should account for more concentration than 25% of sales.</li> </ul>  |
|   | <b>Form management structure</b>     | <ul style="list-style-type: none"> <li>• Create a functional organization so the owner is not central to the business;</li> <li>• Develop a strong backup manager.</li> </ul>  |
| <b><i>Employ additional high yielding capital</i></b> | <b>Improve investment decisions</b>  | <ul style="list-style-type: none"> <li>• Invest in only positive NPV/IBV projects.</li> </ul>  |
|   | <b>Decrease capital base</b>         | <ul style="list-style-type: none"> <li>• Implement product line profitability capabilities to determine winners and losers;</li> <li>• Withdraw or liquidate underperforming businesses.</li> </ul>  |